

Cabinet



Forest Heath
District Council

Title of Report:	Recommendation of the Performance and Audit Scrutiny Committee: 26 November 2014 Accounting for a single West Suffolk staffing structure and the move to a West Suffolk Cost Sharing Model	
Report No:	CAB/FH/14/006	
Decisions plan reference:	Oct14/02	
Report to and dates:	Performance and Audit Scrutiny Committee	26 November 2014
	Cabinet	9 December 2014
	Council	10 December 2014
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Purpose of report:	<p>On 26 November 2014, the Performance and Audit Scrutiny Committee considered Report PAS/FH/14/006, which informed Members of the:</p> <p>i) allocation of the single staffing structure across the West Suffolk partnership between Forest Heath District Council and St Edmundsbury Borough Council has to date been driven by the savings generated from the baseline position back in 2012; and</p> <p>ii) a new approach to cost sharing for West Suffolk which recognises the shared nature of much of west Suffolk's service delivery and recognises that the councils remain separate legal entities. The West Suffolk cost sharing model must therefore be transparent and comply with external audit requirements.</p>
Recommendation:	<p>It is <u>RECOMMENDED</u> that:</p> <p>(1) Subject to the approval of full Council, as part of the 2015/16 budget setting process and subject to external audit support, the proposed cost sharing model for income and employee costs as detailed in Table 2 and 3 and at paragraph 2.17 of Report PAS/FH/14/006, be approved.</p> <p>(2) The proposed model, as detailed in Table 2 and 3 and at paragraph 2.17 of Report PAS/FH/14/006, be reviewed annually as part of the budget setting process with any necessary amendments to the model (in order to secure delivery against the principles set out in paragraph 2.12 of Report PAS/FH/14/006), be reported through the Performance and Audit Scrutiny Committee in the Autumn.</p>
Key Decision: <i>(Check the appropriate box and delete all those that do not apply.)</i>	<p><i>Is this a Key Decision and, if so, under which definition?</i></p> <p>Yes, it is a Key Decision - <input type="checkbox"/></p> <p>No, it is not a Key Decision - <input checked="" type="checkbox"/></p>
<p><i>The key decision made as a result of this report will be published within 48 hours and cannot be actioned until seven working days have elapsed. This item is included on the Decisions Plan.</i></p>	
Consultation:	<ul style="list-style-type: none"> • See Report PAS/FH/14/006
Alternative option(s):	<ul style="list-style-type: none"> • See Report PAS/FH/14/006
Implications:	

Are there any financial implications? If yes, please give details		Yes <input type="checkbox"/> No <input type="checkbox"/> • See Report PAS/FH/14/006	
Are there any staffing implications? If yes, please give details		Yes <input type="checkbox"/> No <input type="checkbox"/> • See Report PAS/FH/14/006	
Are there any ICT implications? If yes, please give details		Yes <input type="checkbox"/> No <input type="checkbox"/> • See Report PAS/FH/14/006	
Are there any legal and/or policy implications? If yes, please give details		Yes <input type="checkbox"/> No <input type="checkbox"/> • See Report PAS/FH/14/006	
Are there any equality implications? If yes, please give details		Yes <input type="checkbox"/> No <input type="checkbox"/> • See Report PAS/FH/14/006	
Risk/opportunity assessment:		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
	Low/Medium/ High*		Low/Medium/ High*
See Report PAS/FH/14/006			
Ward(s) affected:		All Wards	
Background papers: <i>(all background papers are to be published on the website and a link included)</i>		See Report PAS/FH/14/006 to Performance and Audit Scrutiny Committee: Accounting for a single West Suffolk staffing structure and the move to a West Suffolk Cost Sharing Model	
Documents attached:		None	

1. Key issues and reasons for recommendation(s)

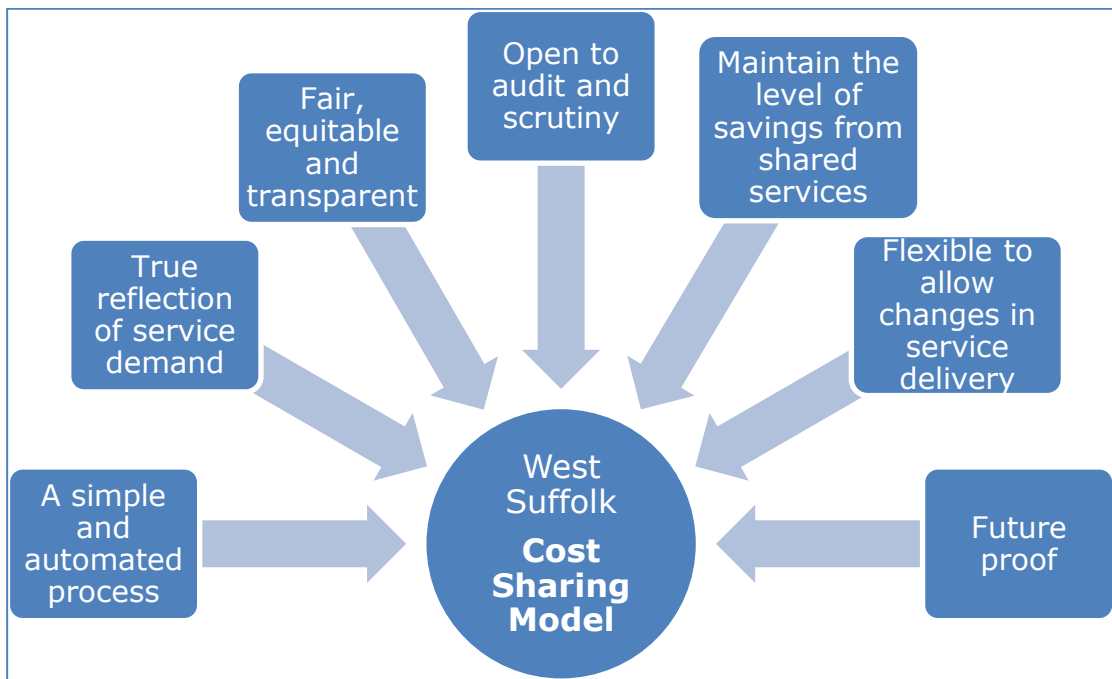
1.1 Summary and reasons for recommendations

- 1.1.1 A total of £3.5million of savings has been achieved to date from the West Suffolk shared services agenda (excluding those savings delivered through the Anglia Revenues Partnership), with further in year savings due from the sharing of supplies and services and through joint contracts and efficiencies.
- 1.1.2 The allocation of the single staffing structure across the West Suffolk partnership between Forest Heath District Council and St Edmundsbury Borough Council has to date been driven by the level of savings generated from the baseline position back in 2012.
- 1.1.3 To date, the sharing of the savings has been deemed to be balanced across the two councils and acceptable to external auditors. However, recharging each council for the savings from shared services is a very labour intensive and retrospective process which, once completed each quarter, typically results in an overall sharing of costs that could have been achieved more simply from cost sharing the operational costs (of salaries for example) at the outset. Also, the current process causes some confusion for members and officers when managing and monitoring budgets and considering future costs and savings for the partnership as information is not live.
- 1.1.4 A new approach to cost sharing for West Suffolk is required that both recognises the shared nature of much of West Suffolk's service delivery, and recognises that the councils remain separate legal entities. The West Suffolk cost sharing model must therefore be transparent and comply with external audit requirements.
- 1.1.5 A new cost sharing model will deliver the following benefits to West Suffolk:
- a simpler cost sharing model that is easy to communicate and understand;
 - an automated system of recharging for costs that continually gives a true reflection of service demand for both councils;
 - an open and transparent mechanism which more easily enables the cost of a service to be shown for Forest Heath, St Edmundsbury and combined for West Suffolk; and
 - real time information available for costs throughout the financial year to allow budgets to be managed and monitored and for faster decisions to be made based on the most accurate and informative data

1.2 Extract from Report: PAS/FH/14/006

1.2.1 *2.12 Proposed West Suffolk Cost Sharing Model*

It is essential that a cost sharing model for West Suffolk is cost effective for the taxpayer and does not result in either council subsidising the other. Overall the model needs to meet the following principles:



1.2.2 2.13 Support is required from members for the model that will underpin cost sharing between the two councils. It is proposed that the West Suffolk cost sharing model is based on the sentiments of the agreed 2011 saving sharing mechanism and the link to the cost driver of population and household numbers within West Suffolk. The table below shows the cost split for employee costs. The cost of supplies and services will gradually be added into the cost sharing model as the contracts become shared by the two councils:

Table 2 – West Suffolk cost sharing model – Employee and supplies and services costs

Heading	Split FHDC:SEBC	Reasoning
Employee costs shared – Leadership Team	50:50	Split based on leading and supporting two political bodies
Employee costs shared services – Employee cost service linked to an asset	35:65 Direct to the relevant council	This split is based on impact rather than on time spent working for each council. Employees directly linked to an asset, for example The Apex, should be recharged 100% to the council that owns the asset.

<i>Employee cost where the 35:65 split is not Supported</i>	<i>Other</i>	<i>Listed at 2.17 of this report</i>
<i>Supplies and Services – shared services</i>	<i>35:65</i>	<i>To be gradually added into the cost sharing model as the contracts become shared by the two councils</i>
<i>Supplies and Services – linked to an asset or service delivery model</i>	<i>Direct to the relevant council</i>	<i>Supplies and services directly linked to an asset, for example The Apex, should be recharged 100% to the council that owns the asset. Supplies and services linked to a service delivery model, i.e. in-house or outsourced will be charged directly to the council that commissioned that delivery model</i>
<i>Supplies and Services – where the 35:65 split is not supported</i>	<i>Other</i>	<i>Listed at 2.17 of this report</i>

- 1.2.3 2.15 *The table below shows some principles for a percentage share of income that is linked to employee costs and commercial activities across the two councils. Agreement to share certain levels of income is necessary as this income could be the driver for the level of staff resource. For example the West Suffolk ICT service has service level agreements with a variety of external partners but the service is delivered by West Suffolk employees and both councils would be charged a share of their costs in the above model.*

Table 3 – West Suffolk cost sharing model – Income

Heading	Split FHDC:SEBC	Reasoning
<i>Income – not linked to an asset</i>	<i>35:65 or relevant employee cost split</i>	<i>Income that is linked to a commercial activity that is run by West Suffolk, for example trade waste or building control should be shared using the employee cost split for that service. Another example is the service level agreements that Human Resources, ICT and the Internal Audit have in place with external partners. The income from these services should be split using the agreed cost split for that service i.e. 35:65 or as detailed in paragraph 2.17</i>

<i>Income from an asset</i>	<i>Direct to the relevant council</i>	<i>Forest Heath and St Edmundsbury own a portfolio of properties and these bring in a significant amount of income from events or business rent (for example the Guineas shopping centre in Newmarket). The income from these properties should be retained at 100% by the relevant council.</i>
<i>Statutory function – member decision</i>	<i>Direct to the relevant council</i>	<i>Members are required to make decisions on planning applications, premises licences, taxi licences etc. Where a decision has been made by one council and a fee is to be paid, this fee should be retained 100% by the relevant council.</i>

1.2.4 **2.17 Challenge on the proposed model**

The main 35:65 cost share assumption has been challenged with various statistics by Internal Audit and the Policy Team across a range of service level cost drivers. The result of the challenge has shown that the 35:65 cost share assumption can be applied in principle to most services provided by the councils, with the exception of those detailed in Tables 2 and 3 and the following:

- Property Services 40 (FHDC):60 (SEBC), link to current income split between the West Suffolk Councils; and*
- Trade Commercial Services 25 (FHDC):75 (SEBC), link to current income split between the West Suffolk Councils; and*
- Ability to vary where there is a significant difference in service not necessarily linked to an asset, but there is a clear decision by one or both Councils to work separately (such as the Chairman civic functions for Forest Heath and the Mayoralty function at St Edmundsbury).*

1.2.5 It is proposed that the model is reviewed annually as part of the budget setting process with any necessary amendments to the model (in order to secure delivery against the principles set out in paragraph 2.12 of Report PAS/FH/14/006), reported through to Performance and Audit Scrutiny Committee in the Autumn.

1.3 **Performance and Audit Scrutiny Committee**

1.3.1 The Performance and Audit Scrutiny Committee scrutinised the report in detail and has put forward recommendations as set out on page two of this report.